

Quarterly Statement Q1/2019

GFT Technologies SE

9 May 2019

Highlights in the first quarter 2019



- Further expansion of client and sector diversification
- 19% revenue growth without top-2 clients*
- Revenue share of insurance business amounts to 11%
- Revenue slightly below prior-year quarter
- Adjusted EBITDA up by 11%, positive accounting effects from IFRS 16
- Earnings burdened as expected by under-utilisation and restructuring
- FY 2019 outlook confirmed

* GFT's top-2 clients are Deutsche Bank and Barclays.

Key figures



in €m	Q1/2019	Q1/2018	Δ%
Revenue	105.72	106.99	-1%
Revenue w/o V-NEO	99.84	106.99	-7%
EBITDA adjusted*	11.16	10.05	11%
EBITDA	10.28	10.05	2%
EBIT	3.87	6.87	-44%
EBT	3.18	6.24	-49%
Net income	2.71	4.69	-42%
Earnings per share (in €)	0.10	0.18	-42%
Earnings per share adjusted (in €)*	0.18	0.24	-25%
Employees (in FTE)	4,910	4,735	4%

- **Revenue** decreased slightly by -1% (organic -7%)
Revenue contribution of V-NEO €5.88m
- Increase in **EBITDA adjusted** by 11% shaped by positive effects from IFRS 16 of €+3.6m
- **EBITDA** with negative effects from V-NEO acquisition: €-0.88m
- **EBIT** with positive €+0.3m IFRS 16 effect
- **EBT** burdened by:
Restructuring charges of €-1.4m
Currency effects of €-0.7m

* Adjusted for non-operational effects from M&A activities (EBITDA) plus applicable tax effects (Net income and EPS)

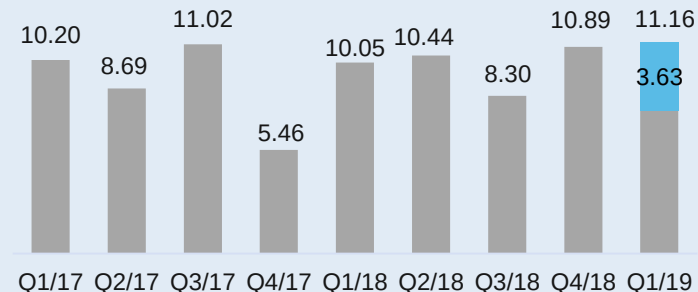
Revenue and EBITDA adjusted by quarter (in €m)



Revenue



EBITDA* adjusted



- EBITDA adjusted supported by positive IFRS 16 effect in the amount of €3.63m

IFRS 16 effects

* Adjusted for non-operational effects from M&A activities

Revenue by segment



	Revenue in €m		Growth rates			
	Q1/2019	Q1/2018	Organic	M&A	FX	Total
Americas & UK	49.88	47.90	-9%	12%	1%	4%
Continental Europe	55.71	58.98	-6%	0%	0%	-6%
Others	0.13	0.11	n/a	n/a	n/a	19%
GFT Group	105.72	106.99	-7%	5%	1%	-1%

- **Americas & UK:** weaker business with top-2 clients, positive development in Mexico, Brazil and Canada
- **Continental Europe:** on-going challenging business with top-2 clients, esp. in Germany
- **M&A-effects:** positive dynamic development of V-NEO as expected

Revenue by segment



in €m		Revenue		Δ%
		Q1/2019	Q1/2018	
Americas & UK	Top-2 clients	16.55	26.14	-37%
	Other clients	33.33	21.76	53%
	Total	49.88	47.90	4%
Continental Europe	Top-2 clients	18.00	21.05	-15%
	Other clients	37.71	37.93	-1%
	Total	55.71	58.98	-6%
GFT Group*	Top-2 clients	34.55	47.19	-27%
	Other clients	71.05	59.69	19%
	Total	105.59	106.88	-1%

* Excluding segment „Others“

- Revenue decrease with **top-2 clients** within expectations, strong decrease especially in UK (segment Americas & UK) and within Germany (segment Continental Europe)
- Revenue with **other clients** with strong dynamic in Americas & UK, but in Continental Europe currently behind expectations

EBITDA adjusted, EBITDA and EBT by segment

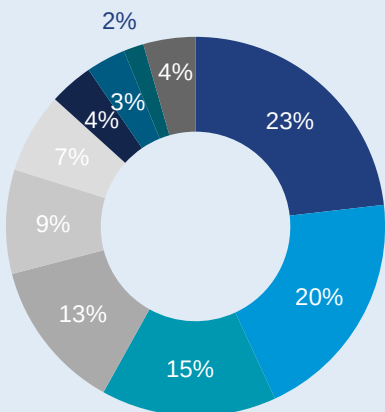


in €m	EBITDA adjusted*			EBITDA			EBT		
	Q1/2019	Q1/2018	Δ%	Q1/2019	Q1/2018	Δ%	Q1/2019	Q1/2018	Δ%
Americas & UK	2.67	3.37	-21%	1.79	3.37	-47%	-0.30	1.89	< -100%
Continental Europe	8.99	6.73	33%	8.99	6.73	33%	4.13	4.63	-11%
Others	-0.50	-0.05	>100%	-0.50	-0.05	>100%	-0.65	-0.28	>100%
GFT Group	11.16	10.05	11%	10.28	10.05	2%	3.18	6.24	-49%

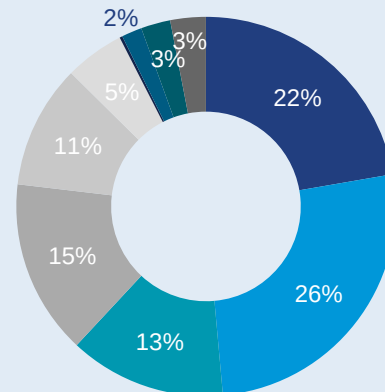
* Adjusted for non-operational effects from M&A activities

- **Americas & UK:** earnings burdened by decreasing revenue share of top-2 clients as well as higher sales expenses, however, positive impetus from Brazil and Mexico
- **Continental Europe:** restructuring expenses and underutilization in the first quarter

Revenue by country (in €m)



Q1/2019		Δ%	Q1/2018
24.02	Spain	1%	23.84
21.71	United Kingdom	-23%	28.13
15.50	Italy	8%	14.30
13.36	Germany	-16%	15.97
9.20	USA	-18%	11.28
7.11	Brazil	31%	5.43
3.89	Canada	>100%	0.26
3.49	Mexico	89%	1.85
1.78	Switzerland	-34%	2.69
5.66	Others	75%	3.24



30 biggest clients Q1/2019 – six new entries



Detailed profit & loss statement (in €m)

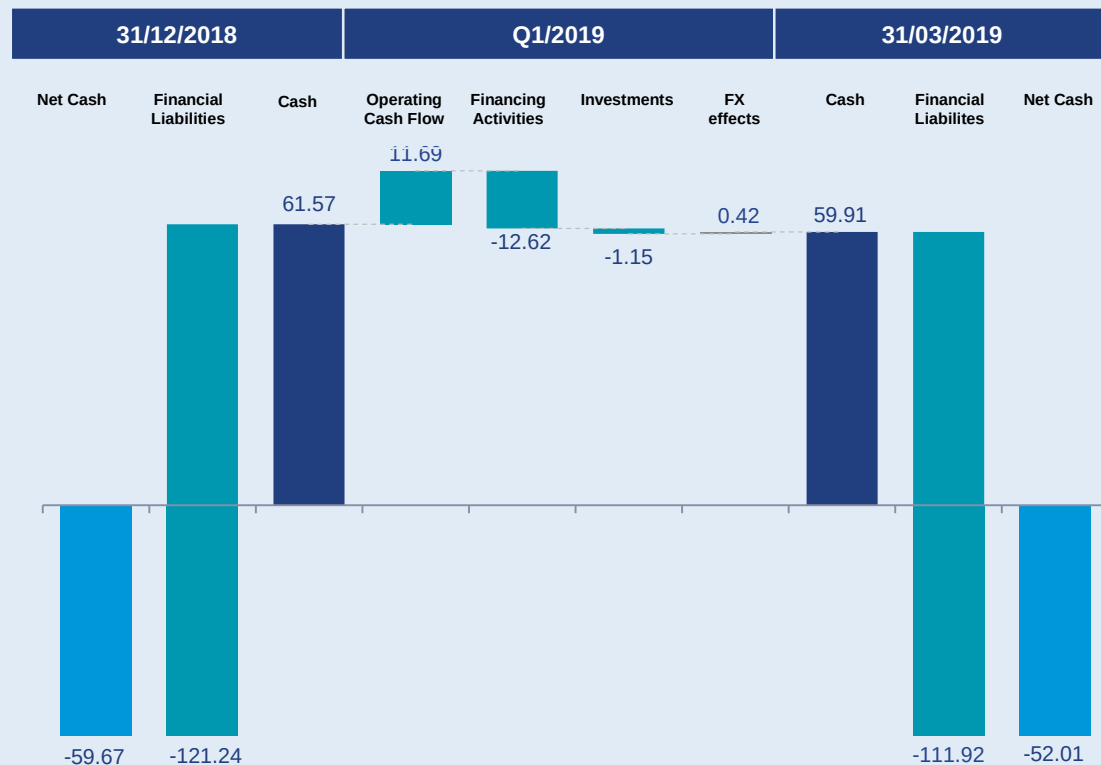


	Q1/2019	Q1/2018	Δ%
Revenues	105.72	106.99	-1%
Other operating income	1.96	0.66	197%
Cost purchased services	-12.05	-14.38	-16%
Personnel expenses	-73.71	-68.06	8%
Other operating expenses*	-11.64	-15.16	-23%
EBITDA	10.28	10.05	2%
Depreciation and amortisation	-6.41	-3.18	102%
EBIT	3.87	6.87	-44%
Interest and similar expenses/income	-0.69	-0.63	10%
EBT	3.18	6.24	-49%
Income taxes	-0.47	-1.55	-70%
Net income	2.71	4.69	-42%
Earnings per share - basic	0.10	0.18	-42%

* Other operating expenses including results of investments accounted for using the equity method

- **Revenue** with organic decrease by 7%
- Share of **cost of purchased services** at 11% of revenue (Q1/2018: 13%)
- Increased **personnel expenses** due to higher average number of employees as well as restructuring expenses.
- Ratio of „personnel expenses (excl. restructuring) plus purchased services to revenue“ at 80% (Q1/2018: 77%, FY 2018: 78%)
- **Other operating expenses** adjusted for positive effects from first-time application of IFRS 16 in the amount of €3.63m basically at prior-year level
- **EBITDA** without positive IFRS 16 effects decreased by 34 %
- Increase of **depreciation and amortisation** shaped by IFRS 16 effect in the amount of €3.32m
- **Net income** with positive effect from lower income tax-rate of 15 % (Q1 2018: 25 %)

Cash flow analysis (in €m)



- **Solid financing structure:** not drawn credit facilities in the amount of €48.83m (Q1/2018: €78.15m). Net cash at €52.01m (31/12/2018: €59.67m)
- **Cash** slightly lower at €59.91m (31/12/2018: €61.57m)
- **Operating cash flow** adjusted for IFRS 16 effects operating cash flow was below prior-year level, due to the general business development in the first quarter
- **Cash flow from financing activities** adjusted for IFRS 16 effects cash flow from financing activities was affected by redemption payments €9.58m (Q1/2018: €5.07m)
- Slightly increased outflows for **investments** driven by intangible assets

Balance sheet (in €m)

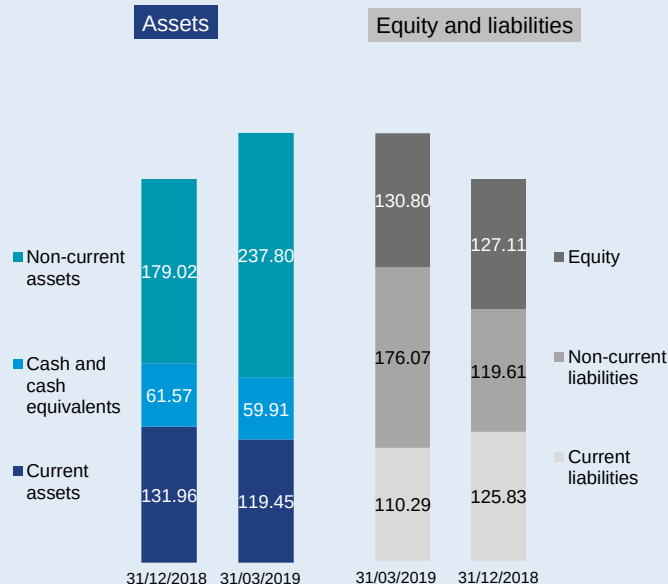


Growth of balance sheet total by €44.61m largely driven by initial application of IFRS 16

Increase of **non-current assets** by €58.78m due to capitalisation related to right-of-use assets according to IFRS 16 in the amount of €60.38m. Share of non-current assets amounted to 57% of balance sheet total (31/12/2018: 48%)

Cash and cash equivalents slightly decreased by 3% due to loan redemptions.

Decrease of **other current assets** by €12.51m mostly caused by lower receivables from customers in consequence of lower revenue

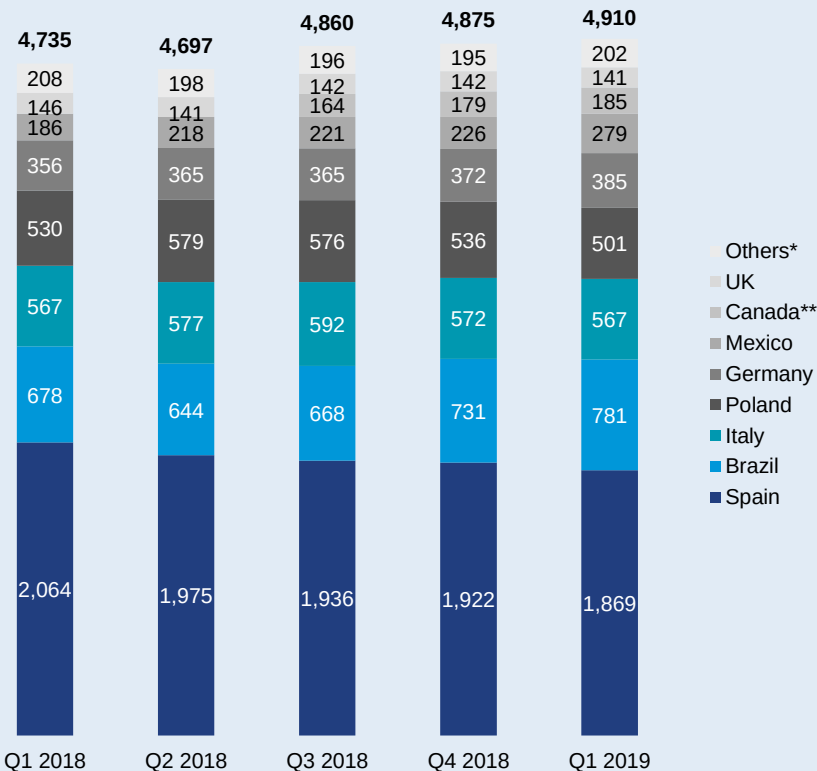


Increase in **equity** by €3.69m driven by net income in the amount of €2.71m as well as positive effects from currency translation of €3.33m. This was opposed by effects from the initial application of IFRS 16 (€-2,34m). Equity ratio of 31% (31/12/2018: 34%)

Rise of **non-current liabilities** in connection to IFRS 16 by €56.22m.

Drop in **current liabilities** mostly due to loan redemptions (€9.25m) as well as a decrease of contract liabilities (€5.88m). Opposing effect from accounting of lease liabilities under IFRS 16 (€6.94m)

Employees by country (FTE)

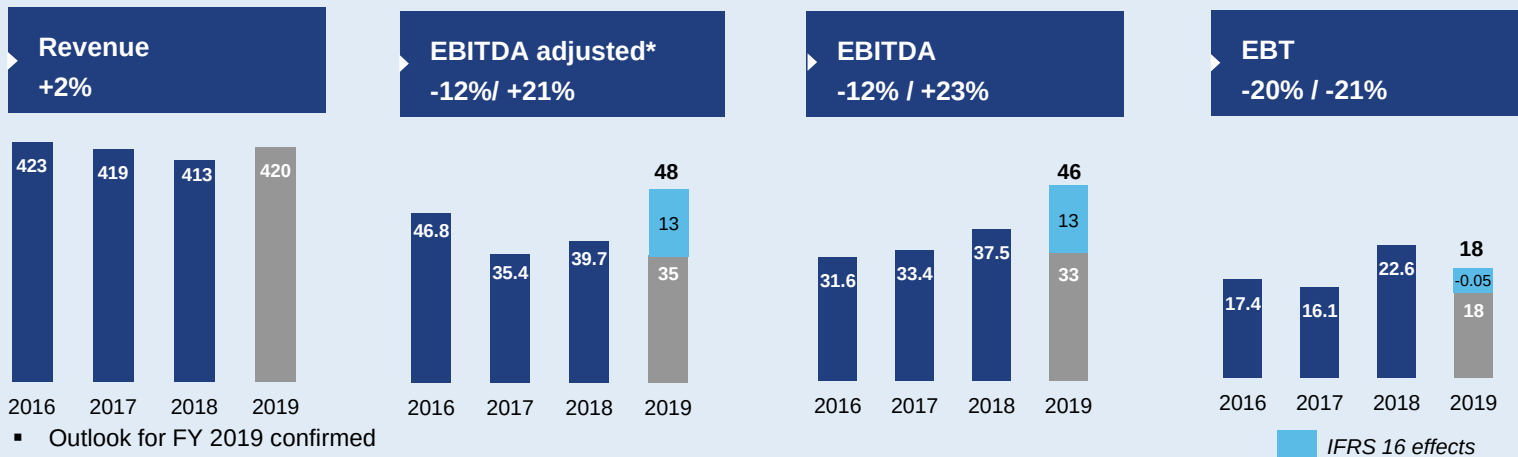


- Increase of number of employees against prior-year comparable (31/03/2018) due to V-NEO acquisition as well as staff expansion in Mexico and Brazil
- Decrease of headcount in Spain and Poland
- Corporate functions with 115 employees (Q1/2018: 119)
- Utilization rate below prior-year at 89% (Q1/2018: 90%)

*Others: Costa Rica, Switzerland, USA, Belgium, France

**Canada: since Q3/2018 incl. V-NEO

Outlook FY 2019 (in €m)



- Outlook for FY 2019 confirmed
- Decrease in revenue with top-2 clients of approx. 30%
- On-going success in diversification ex top-2 clients :
 - Growth without top-2 clients of over 20%
 - Share of insurance business to reach over 10% of revenues
- Earnings burdened by short-term restructuring charges and underutilisation in connection with top-2 clients as well as permanently increased sales expenses for further client diversification
- Effects from IFRS 16 are detailed in the backup

* Adjusted for non-operational effects from M&A activities

Outlook: revenue for top-2 clients in FY 2019*



in €m		Revenue		Δ%
		2019	2018	2019/2018
Americas & UK	Top-2 clients	56.00	84.79	-34%
	Other clients	140.00	98.66	42%
Continental Europe	Top-2 clients	58.00	79.56	-27%
	Other clients	166.00	149.32	11%
GFT Group	Top-2 clients	114.00	164.35	-31%
	Other clients	306.00	247.97	23%
	Total	420.00	412.32	2%

* Excluding segment „Others“

Backup

Results at a glance per quarter



in €m	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018	Q1 2019
Revenue	106.99	104.17	97.91	103.76	412.83	105.72
EBITDA adjusted*	10.05	10.44	8.30	10.89	39.68	11.16
EBITDA	10.05	10.07	7.91	9.42	37.45	10.28
EBIT	6.87	6.92	4.72	6.21	24.72	3.87
EBT	6.24	6.29	4.39	5.72	22.64	3.18
Net income	4.69	7.10	4.82	3.37	19.98	2.71
Net income adjusted*	6.37	8.95	6.76	6.49	28.57	4.79
Earnings per share adj. (in €)*	0.24	0.34	0.26	0.25	1.09	0.18
Earnings per share (in €)	0.18	0.27	0.18	0.13	0.76	0.10
Employees (in FTE)	4,735	4,697	4,860	4,875	4,875	4,910

* Adjusted for non-operational effects from M&A activities (EBITDA) plus applicable tax effects (Net Income and EPS)

Split of operative and M&A Effects

in €m	Q1/2019			Q1/2018	
	GFT stand alone	V-NEO	GFT Total	GFT stand alone	GFT Total
EBITDA adjusted	10.11	1.05	11.16	10.05	10.05
M&A earn-out & retention	0.00	-0.83	-0.83	0.00	0.00
M&A consult & integrate	0.00	0.00	0.00	0.00	0.00
M&A amortisation orderbook	0.00	-0.05	-0.05	0.00	0.00
EBITDA	10.11	0.17	10.28	10.05	10.05
Depreciation & amortisation	-5.30	0.01	-5.29	-1.78	-1.78
M&A amortisation	-0.73	-0.39	-1.12	-1.40	-1.40
EBIT	4.08	-0.21	3.87	6.87	6.87
Interest	-0.64	-0.05	-0.69	-0.35	-0.35
M&A interest	0.00	0.00	0.00	0.00	-0.28
EBT	3.44	-0.26	3.18	6.52	6.24
Income taxes	-0.51	0.03	-0.47	-1.55	-1.55
Net income	2.93	-0.23	2.71	4.97	4.69
Net income adjusted	3.66	1.13	4.79	6.37	6.37
Shares outstanding (m.)	26.33	26.33	26.33	26.33	26.33
EPS (€) - basic	0.11	-0.01	0.10	0.19	0.18
EPS adjusted (€)	0.14	0.04	0.18	0.24	0.24

Effects after initial application of IFRS 16



	Q1/2019			2019 expected		
in m€	after IFRS 16	adjustment	before IFRS 16	after IFRS 16	adjustment	before IFRS 16
EBITDA adjusted	11.16	3.63	7.53	approx. 48	approx. 13	approx. 35
EBITDA	10.28	3.63	6.65	approx. 46	approx. 13	approx. 33
EBIT	3.87	0.32	3.55	approx. 21	approx. 1	approx. 20
EBT	3.18	-0.03	3.21	approx. 18	approx. -0.05	approx. 18

Consolidated Income Statement



in €	Q1/2019	Q1/2018 ¹	Δ%
Revenue	105,720,565.00	106,987,555.55	-1%
Other operating income	1,960,169.11	663,303.16	196%
	107,680,734.11	107,650,858.71	0%
Cost of purchased services	12,050,753.40	14,383,614.01	-16%
Personnel expenses			
Wages and salaries	62,050,248.63	55,990,211.89	11%
Social security contributions and expenditures	11,661,657.96	12,067,052.38	-3%
	73,711,906.59	68,057,264.27	8%
Depreciation and amortisation of intangible assets and property, plant and equipment	6,412,236.42	3,181,461.98	102%
Other operating expenses	11,636,545.16	15,116,823.58	-23%
Result from operating activities	3,869,292.55	6,911,694.87	-44%
Other interest and similar income	47,698.64	47,009.54	1%
Result of investments accounted for using the equity method	0.00	-38,390.81	-100%
Interest and similar expenses	737,095.69	675,602.00 ²	9%
Financial result	-689,397.05	-666,983.27 ²	3%
Earnings before taxes	3,179,895.50	6,244,711.60 ²	-49%
Income taxes	474,015.18	1,553,430.61	-69%
Net income for the period	2,705,880.33	4,691,280.99 ²	-42%
Earnings per share – basic	0.10	0.18 ²	-42%

¹ The GFT Group has initially applied IFRS 16 at 1 January 2019. Under the modified retrospective transition method chosen, comparativ information is not restated.

² Adjusted, refer to note 2.4 in consolidated financial statements as at 31 December 2018

Consolidated Cash Flow Statement



in €	Q1/2019	Q1/2018	Δ
Net income for the period	2,705,880.33	4,691,281.00 ²	-1,985,400.67
Income taxes	474,015.18	1,553,430.61	-1,079,415.43
Interest income	689,397.05	628,592.45 ²	60,804.60
Interest paid	-161,864.63	-192,906.46	31,041.83
Interest received	42,255.17	43,439.04	-1,183.87
Income taxes paid	435,432.33	-252,349.85	687,782.18
Depreciation and amortisation of intangible assets and property, plant and equipment	6,412,236.42	3,181,461.98	3,230,774.44
Changes in provisions	-1,807,192.51	-1,556,310.75	-250,881.76
Other non-cash expenses and income	343,851.14	-383,561.47	727,412.61
Net proceeds on disposal of intangible assets and property, plant and equipment	12,066.64	33,345.72	-21,279.08
Changes in contract assets	-13,476,742.94	-13,243,009.46	-233,733.48
Changes in trade receivables	23,830,206.11	25,458,172.64	-1,627,966.53
Changes in other assets	5,206,887.60	1,434,558.16	3,772,329.44
Changes in contract liabilities	-5,883,052.11	-5,347,174.99	-535,877.12
Changes in trade payables and other liabilities	-7,138,069.02	-6,086,129.70	-1,051,939.32
Cash flow from operating activities	11,685,306.76	9,962,838.92	1,722,467.84
Proceeds from disposal of property, plant and equipment	1,714.68	17,743.19	-16,028.51
Capital expenditure for intangible assets	-398,128.45	-76,106.80	-322,021.65
Capital expenditure for property, plant and equipment	-753,674.47	-659,047.51	-94,626.96
Cash flow from investing activities	-1,150,088.24	-717,411.11	-432,677.13
Proceeds from borrowing	249,816.93	1,923,073.82	-1,673,256.89
Cash outflows from loan repayments	-9,574,564.05	-5,072,229.84	-4,502,334.21
Cash outflows from repayment of lease liabilities	-3,293,040.53	0.00	-3,293,040.53
Cash flow from financing activities	-12,617,787.65	-3,149,156.02	-9,468,631.63
Effect of foreign exchange rate changes on cash and cash equivalents	417,911.85	-192,905.84	610,817.69
Net increase in cash and cash equivalents	-1,664,657.28	5,903,365.95	-7,568,023.23
Cash and cash equivalents at beginning of period	61,569,726.64	72,246,225.54	-10,676,498.90
Cash and cash equivalents at end of period	59,905,069.36	78,149,591.48	-18,244,522.12

1 The GFT Group has initially applied IFRS 16 at 1 January 2019. Under the modified retrospective transition method chosen, comparative information is not restated.

2 Adjusted, refer to note 2.4 in consolidated financial statements as at 31 December 2018

Consolidated Balance Sheet



Assets				Equity and liabilities			
in €	31.03.2019	31.12.2018 ¹	Δ%	in €	31.03.2019	31.12.2018 ¹	Δ%
Non-current assets				Shareholders' equity			
Goodwill	114,353,167.36	112,994,212.45	1%	Share capital	26,325,946.00	26,325,946.00	0%
Other intangible assets	26,080,071.61	26,697,279.93	-2%	Capital reserve	42,147,782.15	42,147,782.15	0%
Property, plant and equipment	86,467,728.56	26,585,119.74	225%	Retained earnings			
Other financial assets	1,467,063.43	754,985.33	94%	Other retained earnings	22,243,349.97	22,243,349.97	0%
Tax assets	16,553.38	1,037,926.35	98%	Changes not affecting net income	-5,550,591.36	-5,550,591.36 ²	0%
Deferred tax assets	7,473,687.36	8,152,157.82	-8%	Other comprehensive income			
Other assets	1,942,680.75	2,798,337.65	31%	Actuarial gains/losses	-1,464,509.97	-1,459,016.99	0%
	237,800,952.45	179,020,019.27	33%	Currency translation differences	-3,572,636.94	-6,903,723.71	-48%
				Consolidated net profit	50,673,325.59	50,310,524.61 ²	1%
					130,802,665.44	127,114,270.67	3%
Current assets				Non-current liabilities			
Inventories	90,534.67	159,549.23	43%	Other financial liabilities	56,221,752.52	0.00	
Contract assets	27,764,494.34	14,083,478.02	97%	Financial liabilities	105,868,632.89	105,944,626.79	0%
Trade receivables	71,323,198.51	95,390,886.70	25%	Provisions for pensions	7,059,884.28	6,952,004.11	2%
Tax assets	3,319,779.14	6,756,612.89	51%	Other provisions	1,846,011.21	1,694,524.00	9%
Cash and cash equivalents	59,905,069.36	61,569,726.64	-3%	Deferred tax liabilities	5,067,836.47	5,017,851.70	1%
Other financial assets	2,746,434.72	1,068,826.39	157%		176,064,117.37	119,609,006.60	47%
Other assets	14,206,868.72	14,502,998.57	-2%	Current liabilities			
	179,356,379.46	193,532,078.44	-7%	Other provisions	34,285,489.62	35,895,512.80	-4%
				Tax liabilities	1,671,408.52	3,471,409.54	-52%
				Contract liabilities	26,694,898.00	32,577,950.12	-18%
				Financial liabilities	6,050,463.24	15,299,216.49	-60%
				Trade payables	10,257,038.93	13,701,878.77	-25%
				Other financial liabilities	8,459,485.80	3,197,493.83	165%
				Other liabilities	22,871,764.98	21,685,358.87	5%
					110,290,549.10	125,828,820.42	-12%
	417,157,331.91	372,552,097.70	12%		417,157,331.91	372,552,097.70	12%

¹ The GFT Group has initially applied IFRS 16 at 1 January 2019. Under the modified retrospective transition method chosen, comparative information is not restated.

² Adjusted, refer to note 2.4 in consolidated financial statements as at 31 December 2018

Consolidated Statement of Comprehensive Income



in €	Q1/2019	Q1/2018 ¹	Δ%
Net income for the period	2,705,880.33	4,691,280.99 ²	-42%
Items that will not be reclassified to the income statement	0.00	0.00	
Actuarial gains/losses	-7,042.30	12,768.79	< -100%
Income taxes on items in the other comprehensive income	1,549.32	-2,809.77	-45%
Items that may be reclassified to the income statement	0.00	0.00	
Currency translation of net investments in foreign business operations	-1,215,980.45	20,342.87	< -100%
Gains/losses from currency translation of foreign subsidiaries	4,547,067.22	93,198.24	>100%
Other comprehensive income	3,325,593.79	123,500.13	>100%
Total comprehensive income	6,031,474.12	4,814,781.12 ²	25%

¹ The GFT Group has initially applied IFRS 16 at 1 January 2019. Under the modified retrospective transition method chosen, comparativ information is not restated.

² Adjusted, refer to note 2.4 in consolidated financial statements as at 31 December 2018

Consolidated Statement of Changes in Equity

in €	Share capital	Capital reserve	Other retained earnings	Changes not affecting net income	Actuarial gains/losses	Currency translation differences	Consolidated net profit/loss	Total equity
Balance at 1 January 2018 ¹	26,325,946.00	42,147,782.15	22,243,349.97	-5,130,993.25	-2,670,281.68	-6,010,354.83	38,232,723.77	115,138,172.13
Total comprehensive income for the period 1 January to 31 March 2019					9,959.02	113,541.11	4,691,280.99 ²	4,814,781.12
Balance at 31 March 2018	26,325,946.00	42,147,782.15	22,243,349.97	-5,130,993.25	-2,660,322.66	-5,896,813.72	42,924,004.76	119,952,953.25
Balance at 1 January 2019 ³	26,325,946.00	42,147,782.15	22,243,349.97	-5,550,591.36	-1,459,016.99	-6,903,723.71	50,310,524.61	127,114,270.67
Effects from the initial application of IFRS 16							-2,343,079.35	-2,343,079.35
Adjusted balance at 1 January 2019	26,325,946.00	42,147,782.15	22,243,349.97	-5,550,591.36	-1,459,016.99	-6,903,723.71	47,967,445.26	124,771,191.32
Total comprehensive income for the period 1 January to 31 March 2019					-5,492.98	3,331,086.77	2,705,880.33 ²	6,031,474.12
Balance at 31 March 2019	26,325,946.00	42,147,782.15	22,243,349.97	-5,550,591.36	-1,464,509.97	-3,572,636.94	50,673,325.59	130,802,665.44

¹ Adjusted, refer to note 2.4 in consolidated financial statements as at 31 December 2018

² Net income for the period

³ The GFT Group has initially applied IFRS 16 at 1 January 2019. Under the modified retrospective transition method chosen, comparativ information is not restated.

Shaping the future of digital business

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